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Docket No. 2006-0387

For Approval of Rate  
Increases and Revised  
Rate Schedules.

FILED  
2007 MAY 31 PM 4: 04  
PUBLIC UTILITIES  
COMMISSION

## TRANSCRIPT OF PROCEEDINGS

The above matter came on for a public hearing at Lanai High and Elementary School Cafeteria, 555 Fraser Avenue, Lanai City, Lanai, Hawaii, commencing at 6:00 p.m., on Thursday, April 26, 2007, pursuant to Notice.

BEFORE: CHAIRMAN CARLITO P. CALIBOSO  
COMMISSIONER JOHN E. COLE

REPORTED BY: ADRIANNE IGE KURASAKI, CSR 388  
Registered Professional Reporter

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## PROCEEDINGS

CHAIRMAN CALIBOSO: Good evening. My name is Carlito Caliboso. For this public hearing, I am joined by Commissioner John Cole. This is a public hearing held by the Commission to receive public comments on Docket No. 2006-0387. This docket concerns the application of Maui Electric Company, Limited, or MECO, filed on February 23<sup>rd</sup>, 2007 for Commission approval of rate increases and revised rate schedules.

The Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs for the Consumer Advocate is also a party to this proceeding. Representatives of MECO and personnel from the Consumer Advocate's office are present this evening and will be available after the public hearing to answer any questions that you may have. Additionally, MECO will be given an opportunity to respond to any comments and views presented during this public hearing after all interested individuals have testified.

Anyone interested in testifying should sign up at the table located at the side of the room right over here.

With that, we will first begin with MECO, the Consumer Advocate second, and then anyone from the public who wishes to testify.

Mr. Edward Reinhardt, Maui Electric Company.

1 MR. REINHARDT: Good evening, Chairman Caliboso,  
2 Commissioner Cole, and members of the audience. My name  
3 is Edward Reinhardt. I am president of Maui Electric  
4 Company. Let me begin by thanking our customers who came  
5 to share their thoughts. It is important for us to know  
6 what is important to all of you.

7 We know that any rate increase is not a happy  
8 event for any customer and we, therefore, never make the  
9 decision to apply for one lightly. We also, however, need  
10 to do the right thing by our system, especially in  
11 maintaining reliable service. And unfortunately, that  
12 sometimes means rate increases.

13 Millions of dollars have been invested in the  
14 current Maui Electric facilities on Lanai. Since MECO's  
15 rate increase eight years ago, we invested \$4.5 million in  
16 plant additions to continued to provide reliable electric  
17 service to our customers on Lanai. We have an obligation  
18 to keep that system maintained and in good working order  
19 for our customers, and we will do so.

20 So with that as a background, let me discuss the  
21 specifics of this particular rate increase. Tonight, I  
22 will briefly cover how much of an increase we are asking  
23 for, what the increase will be used for, and how it will  
24 affect our customer bills. In particular, I want to  
25 explain the innovative new rate structures we are

1 proposing to help minimize the impact on lower income  
2 families and those who conserve energy.

3 How much of an increase is MECO requesting and how  
4 will it be structured?

5 MECO is requesting an overall net increase of  
6 \$19 million in base revenues for Maui County in total.  
7 For Lanai, we are seeking an increase of \$539,000, or  
8 5.3 percent over present revenues.

9 This proposed increase is less than our studies  
10 show we should be requesting for Lanai. Setting rates  
11 according to the cost of providing service would have  
12 resulted in a 19.4 percent increase for customers on  
13 Lanai. To mitigate the impact of such an increase, we  
14 have decided to propose an equal percentage increase of  
15 5.3 percent for Maui, Molokai, and Lanai.

16 We have also proposed opportunities for customers  
17 to save money to fairly shift more of the responsibility  
18 to those who contribute the most to high electricity  
19 costs.

20 First, we are asking the Commission to approve a  
21 residential tiered rate structure so those who use less  
22 electricity will pay lower rates. Under this plan, the  
23 majority of customers on Lanai will see smaller monthly  
24 increases in their electric bill, in the range of 2.3 to  
25 4.3 percent. Those who use a lot of electricity will see

1 larger increases in their monthly bill, for example,  
2 approximately 6.8 percent for a residence using  
3 2000-kilowatt hours. This new tiered system encourages  
4 energy conservation and efficiency and rewards customers  
5 who use energy wisely. We have proposed similar rate  
6 structures for the Big Island and Oahu.

7 At the same time, recognizing that some low-income  
8 families have large households with higher electricity  
9 use, we are also developing a provision to cap the  
10 electric rate applied for certain low-income households so  
11 that the tiered rate system does not unduly burden these  
12 families.

13 Second, to encourage use during off-peak times  
14 when power generation reserves are greater, the proposal  
15 also includes a voluntary time-of-use rate option for  
16 residential and commercial customers, which would provide  
17 lower electric rates for off-peak usage times and higher  
18 electric rates for peak usage times.

19 why is the rate increase needed?

20 Although one of the major reasons for MECO's  
21 proposed increase is the addition of M18 and M19  
22 generating units at Maalaea Generating Station on Maui,  
23 there have also been substantial investments on Lanai  
24 since the company's last increase eight years ago.

25 This has included installing new underground

1 facilities at the Manele and Hawaiian Homes subdivisions,  
2 installing a new 2.5 MVA transformer by the Old City Power  
3 Plant and implementing governor and generator controls  
4 upgrades for the Electro-Motive Division units at the Miki  
5 Basin Power Plant.

6         Our responsibility to provide reliable electrical  
7 service on Lanai also requires us to ensure proper  
8 maintenance of our electrical equipment and facilities.  
9 This includes more frequent inspections of utility lines  
10 and poles, increased vegetation management to keep our  
11 lines clear of trees and brush that could cause service  
12 outages, and proper servicing of our power generators.

13         What is the effect of the rate increase on  
14 customer bills?

15         What most of our customers will want to know is  
16 how will this increase affect my electric bill. If  
17 approved, MECO's tiered-rate structure would provide  
18 smaller percentage increases for those who use less  
19 electricity. For example, if the full request is  
20 approved, a typical residential customer on Lanai using  
21 500-kilowatt hours a month would pay \$7.63 more, or about  
22 a 4.6 percent increase instead of the overall 5.3 percent  
23 increase.

24         Again, the tiered system we are proposing is  
25 intended to encourage conservation and lessen the impact



1 on residential customers who use smaller amounts of  
2 electricity. If approved, we anticipate the earliest a  
3 rate increase might take effect is in late 2007.

4 In conclusion, thank you for this opportunity to  
5 briefly describe our rate increase application. As I  
6 mentioned earlier, we will be available after the public  
7 hearing to answer your questions and concerns.

8 Thank you.

9 CHAIRMAN CALIBOSO: Thank you, Mr. Reinhardt.

10 Ms. Catherine Awakuni, Consumer Advocate's office.

11 MS. AWAKUNI: Thank you.

12 Good evening, Chairman Caliboso and Commission  
13 Cole. I'm Catherine Awakuni, Executive Director of the  
14 Division of Consumer Advocacy. The Division represents  
15 the interests of consumers in public utility matters. And  
16 to that end, I am here this evening to listen to the  
17 consumers' comments and concerns regarding Maui Electric  
18 Company Limited, or MECO's request for approval to  
19 increase its rates and revise its rate schedules.

20 The Consumer Advocate's role is to represent the  
21 interests of all Hawaii consumers of public utility  
22 services by advocating for reliable utility services at  
23 reasonable customer costs.

24 To do this, the Consumer Advocate is taking an  
25 independent look at MECO's request for Public Utilities

1 Commission approval of its rate increase. We will confirm  
2 whether there is a need for the proposed rates and whether  
3 the rates proposed are necessary to insure the provision  
4 of reliable service.

5 After completing our review, we will file direct  
6 testimonies with the Commission explaining our analysis  
7 and recommendations. At this time, the Consumer Advocate  
8 has not completed its analysis and is not able to state  
9 its position on the merits of MECO's request this evening.

10 If this application goes to an evidentiary  
11 hearing, the Division's analysts and consultants who  
12 submit direct testimony will have an opportunity as  
13 witnesses to orally summarize their written testimony  
14 before the Commission. And because an evidentiary hearing  
15 is a quasi-judicial proceeding, the witnesses will be  
16 subject to thorough cross-examination by all parties.  
17 Following the contested case hearing, the parties will  
18 summarize their positions in post hearing briefs.

19 The Commission will ultimately decide whether to  
20 allow MECO to proceed with its request, and we encourage  
21 the public to express their opinions to the Commission  
22 regarding MECO's proposal. Your input is important  
23 because only you can tell us what effect the company's  
24 proposal may have on you and the businesses you may  
25 represent.

1           As we move forward, please feel free to contact  
2 the Division's office at any time to share your thoughts,  
3 concerns, and questions regarding this or any other  
4 utility matter. And I'll note that I have copies of my  
5 presentation here at the Commission sign-in desk, which  
6 includes all of our contact information.

7           Thank you for this opportunity to make this  
8 presentation.

9           CHAIRMAN CALIBOSO: Thank you, Ms. Awakuni.

10          Is there anyone else who would like to testify or  
11 present comments this evening?

12          Seeing none, at this time -- I see one testifier  
13 coming up.

14          Ms. Julia Machew (phonetic). Good evening.

15          CHAIRMAN CALIBOSO: Good evening.

16          MS. MACHEW: Sorry. I'm Julia Machew. I work  
17 with the Native Hawaiian Healthcare here on the island of  
18 Lanai. I'm also a concerned resident in the Iwiole  
19 Community Apartments that is run by Castle & Cooke. And  
20 I'm not too sure if what I'm about to say will make any  
21 impact or -- I just kind of have questions because  
22 recently, the company has come up with rules where the  
23 apartment complex where I live, we are unable to have any  
24 clothes line because it looks tacky, I guess. But at this  
25 apartment complex, we have low income as well as people

1 that work for the company, and so there's kind of  
2 different incomes, different financial needs, and they're  
3 requiring that we not hang any clothes. So how are we  
4 supposed to -- the low-income people supposed to care  
5 for -- doing laundry, especially with the global warming  
6 where we shouldn't be, you know, using -- burning  
7 electricity or using dryers.

8 we have 16 apartment buildings with eight  
9 residents in one apartment complex. Not being able to tap  
10 in with the natural resources such as our sun because we  
11 live in Hawaii, we have to use our dryers. And I'm so  
12 fortunate, but I live in a low-income area also and my  
13 concern is that I'm fortunate because I have a dryer. But  
14 for those who cannot afford a dryer and with this global  
15 warming and the environmental concerns, I don't think  
16 everybody -- all this apartment buildings running their  
17 dryers because we have to dry our clothes is -- and then  
18 our bills run up sky high, I don't think -- it's a concern  
19 that I have, and I just wanted to bring that up.

20 I'm sorry that nobody else is here. I just had  
21 this meeting agenda, and I didn't know what meeting I was  
22 coming to. And so I'm sorry that I'm not prepared. But  
23 it's a concern that I have.

24 CHAIRMAN CALIBOSO: Could you specify what company  
25 you're referring to?

1 MS. MACHEW: The company on this island is  
2 Castle & Cooke who owns the majority of the apartment  
3 complexes or some of the housing -- houses there. And so  
4 they have this rule that there's no clothes line, but it  
5 wasn't in our contract.

6 And I think -- you know, I mean, I understand that  
7 it looks tacky, but if they had us go to the lower line  
8 fence where you can't see the lines, I mean we get --  
9 we're so fortunate to live in Hawaii. And we're doing the  
10 clothes line because Murdock doesn't want the tourists  
11 that passes up to go to the Lodge at Koele to see all this  
12 clothes hanging. And I understand that.

13 But when you go to -- like if I was to go to  
14 Africa, I don't expect the people to, you know, change  
15 their lifestyle just for me. I have to show respect and  
16 appreciation for how they live and respect the people and  
17 their culture. I mean I know that life is coming to  
18 where -- I don't know what I saying already. But all I  
19 know is it just kind of it bugs me because if I don't have  
20 the funds, I don't have the -- I'm not in a position to  
21 buy a new dryer, and now MECO is going up in their prices.  
22 I like that Mr. Reinhardt said it's going to be tiered, so  
23 it might make a difference to me because I have only a  
24 family of three and I don't see myself using that much  
25 electric.

1 CHAIRMAN CALIBOSO: Thank you.

2 would anyone else like to testify this evening?

3 Seeing none, at this time I'd like to ask

4 Commission counsel, Ji Sook Kim -- before that, I'm going  
5 to give Mr. Reinhardt, if he wanted to, a chance to  
6 respond to anything.

7 MR. REINHARDT: I have no response. Thank you.

8 CHAIRMAN CALIBOSO: Thank you.

9 At this time, I'd like to ask Commission counsel,  
10 Ji Sook Kim, to briefly explain what will happen following  
11 the conclusion of this proceeding.

12 MS. KIM: Those wishing to present written  
13 comments or additional comments should submit them to our  
14 Honolulu office at 465 South King Street, Room No. 103,  
15 Honolulu, Hawaii 96813. Written comments may also be  
16 submitted through e-mail at [hawaii.puc@hawaii.gov](mailto:hawaii.puc@hawaii.gov).

17 Those wishing to intervene or participate without  
18 intervention in this proceeding must do so by Monday,  
19 May 7, 2007. For a motion to intervene or participate  
20 file pursuant to Subchapter 4, Hawaii Administrative Rules  
21 Title 6, Chapter 61, Rules of Practice and Procedure  
22 before the Hawaii Public Utilities Commission.

23 This proceeding will be governed by regulatory  
24 schedule which will be part of a procedural order that  
25 will be issued by the Commission in this docket. Unless

1 waived by the parties, an evidentiary hearing on the  
2 matters of this docket will be held after the parties have  
3 conducted discovery pursuant to the regulatory schedule.

4 when the docket record is complete, the Commission  
5 will make every effort to finish our deliberations and  
6 issue our decision on this matter by November 23<sup>rd</sup>,  
7 2007, as applicable and set forth by state law.

8 CHAIRMAN CALIBOSO: Thank you, Ms. Kim.

9 This concludes the public hearing. Thank you for  
10 your testimonies and for your attendance. Good night. We  
11 are adjourned.

12  
13 (Proceedings concluded at 6:23 p.m.)  
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## C E R T I F I C A T E


I, ADRIANNE IGE KURASAKI, C.S.R., in and for the State of Hawaii, do hereby certify:

That I was acting as shorthand reporter in the foregoing matter on Thursday, the 26th day of April, 2007;

That the proceedings were taken down in computerized machine shorthand by me at the time and place stated herein, and thereafter reduced to print under my supervision; that the foregoing represents, to the best of my ability, a correct transcript of the proceedings had in the foregoing matter;

I further certify that I am not counsel for any of the parties hereto, nor in any way interested in the outcome of the cause named in the caption.

Dated this 18th day of May, 2007 in Honolulu, Hawaii.



Adrianne Ige Kurasaki, CSR 388  
Registered Professional Reporter